I. THE FINANCIAL REPORT AND AUDITED ACCOUNTS FOR THE BIENNIUM 1994-1995 ENDED 31 DECEMBER 1995

1. Pursuant to the regulation 11.4 of the Financial Regulations of the United Nations, General Assembly resolution 3192 (XXVIII) of 18 December 1973, and rule 213.3 of the Financial Rules of the United Nations Environment Programme, the Executive Director on 31 March 1996 transmitted the financial report and financial statements for the biennium 1994-1995 ended 31 December 1995, to the Chairman of the Board of Auditors. Copies were also provided to ACABQ.

2. The financial report and financial statements were subsequently examined by the Board of Auditors. Together with the audit opinion and report of the Board of Auditors, they were then submitted to the General Assembly at its fifty-first session (A/51/5/Add.6). The General Assembly received the report of ACABQ (A/51/533) containing observations and comments on the financial reports and audited accounts of a number of United Nations entities, including UNEP.

II. OBSERVATIONS OF ACABQ ON THE FINANCIAL REPORT AND AUDITED ACCOUNTS FOR THE BIENNIUM 1994-1995 ENDED 31 DECEMBER 1995

3. ACABQ noted the confirmation of the Board of Auditors that UNEP complied with the common accounting standards in presenting the appropriate financial statements. However, the Board of Auditors qualified its audit opinion on the financial statements owing to the non-receipt of audit certificates from several supporting organizations. ACABQ noted that, following receipt of the Board of Auditors' report, UNEP had decided to withhold future cash advances from, and not to enter into new contractual arrangements with, supporting organizations that have not provided audit certificates. ACABQ welcomed these measures but noted that it may be necessary for UNEP to ascertain whether supporting organizations require assistance in the production of certificates.

4. ACABQ requested that the Board of Auditors' observations on consultants be addressed as a matter of urgency. The Board had requested UNEP to regulate the appointment of consultants in line with the established policies and update the roster of consultants periodically. It also recommended that selection of consultants should be made after widening the choice of candidates and that guidelines for determining consultants' fees should be established.

5. ACABQ also endorsed the observations and recommendations made by the Board of Auditors regarding UNEP's lack of advance planning which led to piecemeal procurement of goods and shortcomings in competitive bidding.

6. The General Assembly will not discuss the financial reports, recommendations and conclusions of the Board of Auditors until its resumed fifty-first session in March 1997. Thus, the Executive Director cannot give any further details on action taken by the General Assembly at this stage.

III. COMMENTS OF THE EXECUTIVE DIRECTOR ON THE OBSERVATIONS OF ACABQ

7. The Executive Director has taken note of and agrees with the observations and recommendations of the Board of Auditors as well as those of ACABQ. The Executive Director is pleased to inform the Governing Council that, by the end of November 1996, 202 (77 per cent) audit certificates had been received. UNEP will continue every effort to recover the remaining 62 certificates representing $5,102,103 out of the total expenditure on projects implemented by supporting organizations of $26,880,236 for the whole biennium 1994-1995. UNEP will also ascertain whether supporting organizations require assistance in the production of certificates.

8. With regard to the recruitment of consultants, UNEP has already taken steps to implement all the recommendations of the Board of Auditors. The Executive Director has issued guidelines for recruitment of consultants to ensure that consultancies are awarded on the basis of established need, expertise and value for money. UNEP will also make every effort to select consultants from a broad geographical background including developing countries and countries with economies in transition, taking due consideration of geographical and gender balance. Following the merger of the administrations of the United Nations Centre for Human Settlements (UNCHS) (Habitat) and UNEP on 1 January 1996, the United Nations Office at Nairobi (UNON) now reviews all procedures governing the recruitment of consultants, including the issue of consultants' fees. At the same time, UNON is updating the roster of consultants.

9. Procurement is also a UNON responsibility as of 1 January 1996. In line with the recommendation of the Board of Auditors, UNEP submitted a procurement plan for 1996 to UNON and will do likewise in 1997.